



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Approving Transfer of PCE/TCE City Insurance Proceeds, PCEITCE Rate, and Water Utility Fund to Fund PCEITCE Past Litigation Expense (\$13,000,000)

MEETING DATE: October 1, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution approving the transfer of City's PCERCE insurance proceeds, PCE/TCE Rate and Water Utility funds to reimburse the water fund for previous PCE/TCE litigation expenses (\$13,000,000).

BACKGROUND INFORMATION: Money from the water fund was advanced to pay for the PCE/TCE litigation and related expenses until December 2004. As reflected in minutes of previous meetings, the City Council intended for these advances to be reimbursed.

The water fund used for PCEITCE expenses – and not operations – has a deficit balance of \$14,728,464. Staff recommends transfers from three funds to reimburse the water fund for all but \$1.7 million of the deficit. The recommended transfer amounts are:

1. PCE/TCE Settlement Fund (184)	\$1,700,000
2. PCERCE Rate Fund (185)	\$5,000,000
3. Water Utility Fund (180)	<u>\$6,300,000</u>
Total	\$13,000,000

No funds designated for clean-up of a specific plume are included in this transfer. Additionally, the settlement fund will continue to have non-designated funds available for future legal expenses. Settlement funds received from potentially responsible parties, however, may only be used for clean-up.

The PCERCE Rate Fund receives approximately \$2.7 million per year. Future Rate Fund revenue may be transferred to clear the remaining deficit in the original water fund.

FISCAL IMPACT: The transfer will reduce the fund balances in the three funds. The transfers will not affect funding of the PCERCE clean-up program or the water utility's ability to fund operations.

FUNDING AVAILABLE:

PCEITCE Settlement Fund (184)	\$1,700,000
PCE/TCE Rate Fund (185)	\$5,000,000
Water Utility Fund (180)	\$6,300,000


Kirk Evans, Budget Manager


F. Wally Sandelin
Public Works Director

Prepared by Rebecca Areida, Management Analyst
FWS/RA/bss

APPROVED: 
Blair King, City Manager

RESOLUTION NO. 2008-200

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING TRANSFER OF FUNDS TO FUND PCVTCE
PAST LITIGATION EXPENSE

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the transfer of PCE/TCE City insurance proceeds, PCE/TCE rate, and water utility fund as shown below to fund PCE/TCE past litigation expense:

PCVTCE Settlement Fund	\$1,700,000
PCVTCE Rate Fund	\$5,000,000
Water Utility Fund	\$6,300,000

BE IT FURTHER RESOLVED that the City Council does hereby approve future transfers in the approximate amount of \$1,700,000 to clear the remaining deficit from PCVTCE past litigation expense in the water fund.

Dated: October 1, 2008

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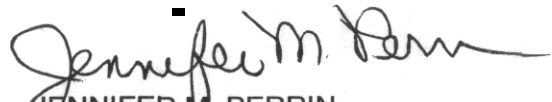
I hereby certify that Resolution No. 2008-200 was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 1, 2008, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, and
Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Mayor Mounce

ABSTAIN: COUNCIL MEMBERS – None


JENNIFER M. PERRIN
Assistant City Clerk



Fund Transfers Water Fund (183)

Minutes from Oct. 3, 2001

City Council Meeting

MOTION (#1) / VOTE:

The City Council, on motion of Council Member Hitchcock, Howard second, adopted Resolution No. 2001-231, pursuant to Section 13.08.010 of the Lodi Municipal Code, providing for and establishing rates to be charged for water service, and further directed staff to:

- add a line item on the utility bills identifying the water cost increase with a description specifying its purpose for infrastructure replacement;
- prepare a long-range, ten-year financial model spreadsheet identifying water, sewer, and electric expenses, including the dollar amount for the utility user tax over this period; and
- at the time of settlement related to the PCE/TCE issue, repay the water fund for the previous \$6 million expenditure, using the balance remaining after priority takes.

The above motion carried by the following vote:

Ayes: Council Members – Hitchcock, Howard, Pennino and Mayor Nakanishi


Noes: Council Members – None

Absent: Council Members – Land



April 27, 2004 Rate Increases

- \$1.2 million for WID water purchase
- \$800,000 for PCE/TCE Program
- Other (CVWS, CPI adjustment)



	Fund Balance	Transfer	New Fund Balance
• Water Operating (180)	\$7.3 M	(\$6.3 M) <small>Journal Entry</small>	\$1.0 M
• PCE/TCE Expenses (183)	(\$14.7 M)	\$13.0 M	(\$1.7 M)
• PCE/TCE Settlements (184)	\$3.7 M	(\$1.7 M)	\$2.0 M
• PCE/TCE Rates (185)	\$5.0 M	(\$5.0 M)	\$0



Questions